Why A Change In Financial Behaviour Does Not Always Trigger A Change In Financial Well-Being?

Conference or Workshop Item

Intervention / Case Study Submission

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Title of the Submission

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Conference Track

6. Promoting and Safeguarding Financial Literacy and Wellbeing

Aims and Objectives

The main purpose of this study is to explore how to make use of online financial education to promote desirable financial behaviour change and well-being. Online financial education courses are considered a social marketing product in line with the 4Ps of the marketing mix. The study seeks to inform the relevant stakeholders on how to develop suitable online financial educational interventions that change unhealthy financial behaviour and promote financial well-being. This paper does not focus on assessing the outcomes of the intervention but drawing on the relationships between financial education and well-being, the factors that influence financial behaviour, behaviour change and well-being. The intervention is the online Managing My Money course (MMM), which aims to educate people, giving them knowledge and skills to manage their personal finances. The course offered free access to eight major steps run over eight weeks that equipped learners with knowledge and skills in (1) Financial planning and the life-course; (2) Income, taxation and benefits; (3) Expenditure and budgeting; (4) Debt and borrowing; (5) Savings and investments; (6) Housing and the household balance sheet; (7) Pensions; (8) Insurance. These steps were developed to support the change in unhealthy behaviours such as over-borrowing; over-spending; under-saving; lack of forward planning and irrational or uninformed choices of financial products.

Key Behaviours

Four in ten people in the UK cannot manage their money. Eight million people are in serious debt, while 16 million working-age people have less than £300 in savings (The Money Advice Service, 2018). According to The Money Charity, total personal debt in the UK in September 2018 was £1.605 trillion; the average total debt per UK household including a mortgage was £59,008; and the total credit card debt was £72.4 billion or £2,663 per household (The Money Charity, 2018). These issues are commonly considered to be the result of low financial literacy levels and the lack of ability to use knowledge and skills to manage financial resources effectively (Collins and Holden, 2014). The lack of adequate financial skills is also a cause of low personal savings rates; high levels of consumer debt; and increases in personal bankruptcy filings (Bell and Lerman, 2005; Lyons et al., 2006; National Endowment for Financial Education, 2004). Hence, this paper focuses on saving and borrowing behaviours to understand why improving individual financial well-being matters.

Target Group Focus, Segmentation and Insight

The course targets those who need online and open access to learn the essential knowledge and skills to manage or change the way to manage their finances effectively. The course is specifically designed for the UK market, but did not limit access to worldwide learners. 3,918 learners joined the course when it started its most recent presentation on FutureLearn in January 2018. However, only 59.50% of these learners were active during the course. 12% of learners were social learners who took part in the online discussion platform. 125 of 398 learners who took part in the surveys also engaged in online discussions during the course. A small number, 7.40% of learners, completed 50% or more of the learning steps in the course. This suggests that most of the learners had a specific learning need for one or more course topics. Hence, they only took part in the steps needed rather than completing all the steps. This paper examined two key segments debtors and savers. Debtors are more likely to take risks and feel more comfortable borrowing for something that they consider to be essential or often use credit for non-essential items (Vlaev and Elliott, 2014). In contrast, savers are more risk-averse; borrowing makes them feel uncomfortable. They only spend within their means and adjust the amount of money they spend on non-essentials when their life changes (Vlaev and Elliott, 2014). In addition, this study found two segments that need financial education. The first group is the most vulnerable population. They have a low financial capacity (income, assets, family or social help etc.) and are prone to undesirable behaviours in managing their money. In contrast, the second group are low savers, who despite of having higher capacity, did not save as much as they were capable of saving.

Citizen Orientation

In 2015, 27 million people did not have a sufficient savings buffer to allow them to cope with a significant income shock (Financial Capability Strategy for the UK, 2015). In a recent progress report of Financial Capability Strategy for the UK in 2017, there were around 16 million working-age adults, with less than £300 in savings and eight million people in the UK are in serious debt. One in six people in that research were over-indebted. Financial difficulty, particularly when it leads to problem debt, is one of the biggest social problems in the UK. The UK Government is working to improve financial capability via a 10-year strategy, 2015-2025. The strategy aims "to support people's ability to manage money better on a day to day basis, prepare for and manage life events, and deal with financial difficulties" (Money Advice Service, 2017). The intervention in this study was sponsored by the True Potential Centre for the Public Understanding of Finance (PUFin) at The Open University. True Potential LLP funded PUFin to offer open access to free online courses to improve public understanding of personal finance. The course aims to tackle the issues of inequality in financial education, with the hope that open access to financial education offers better opportunities to the disadvantaged population in the UK.

The Social Offering

Social inclusion is an important aim of the intervention. The intervention seeks to tackle social issues in financial capability. The eight-week course, also offers mentor support to listen, guide and encourage people at risk of financial difficulty to improve their financial knowledge and skills. This potentially helped learners to review their financial matters and to make future informed decisions. The course encouraged learners to save small amounts as a cushion against financial shocks and balance between paying off debt and saving more. The course combined financial knowledge, skills and encouraged learners to change undesirable behaviours. Using the insights from marketing and behavioural science in the course design, people were nudged towards better financial habits, rather than just to improve their knowledge. Many authors agreed that social capital can contribute to personal well-being (Zorondo-Rodrı´guez et al., 2016; Costanza et al., 2007). Ways to improve social capital are embedded in the course through the online discussion platform that encourages social engagement between learners and mentors. It improved their financial well-being by creating a sense of an online community, where people connected and offered their social support to tackle financial issues of their own and others in that community. For those struggling financially, the success stories offered free lessons, encouragement and hope for a better future. While the unsuccessful stories showed people which paths not to follow and the importance of keeping up with the desirable behaviours of budgeting and planning ahead. The intervention created an open source of knowledge that brings people together to tackle a social issue.

Competition Analysis

The Open University is a leading educational institution for offering online financial education to the public in the UK. While there are various organisations also offering some sources of free financial education to the public, including the Money Course (themoneycourse.org), the Money Charity (themoneycharity.org.uk) or Learn My Way which is owned by Good Things Foundation (learnmyway.com). The Money Course and the Money Charity offer face-to-face courses at schools, colleges, universities, work environment, community centres etc. In contrast, Learn My Way is more like Future Learn, offering free access to online courses. The common benefits that these organisations offer the public are free courses covering various subjects, including financial knowledge, skills, tools and guidance to better manage individual personal finances and to improve individual financial well-being. The face-to-face training model from The Money Course and the Money Charity have a different method of engaging with target audiences and works well for those who prefer not to learn online. However, this model has limited access to wider audiences and more time-constraints than the online courses from Learn My Way and Future Learn. Likewise, the MMM course on Future Learn has benefits that Learn My Way courses do not have. The unique selling points of the MMM course is the online mentors and discussion platforms with facilitators to encourage learners to engage with the course. This online learning environment creates a sense of being part of a community. It makes people feel more interactive and inspires learners to share their issues or learn from others unsuccessful or successful stories in managing their money. Learners can access the MMM course anytime, anywhere for eight weeks. It is also important to stress that PUFin did not set out to compete with other courses. It purely set out to benefit the public by filling the gap in financial education needs. This lack of competition with other products is a valuable attribute of social marketing interventions compared to commercial marketing products. Organisations do not usually try to compete with each other but work together to achieve the same goals of promoting a large desirable change in personal finance.

Integrated Intervention Mix

PUFin has campaigned for the intervention since it was established in 2013. The intervention mix has included free financial educational products, research into financial capability issues and the active promotion of its activities and dissemination of its outputs. The work can be analysed against the marketing mix elements of;

Product and Service: The intervention focused on changing saving and borrowing behaviours. Using the insights from marketing and behavioural science to select useful information, practical skills and other techniques to make small behavioural changes. Rather than just improving knowledge, the intervention helps to improve individual confidence as well as nudging learners towards better financial habits and behaviour. Interactive engagement with mentors and other learners offers added value to the intervention by supporting learners to resolve their financial issues.

Price: This financial education intervention was free, hence, there was not a “price” that the participants had to pay but there might be other obstacles they might have to overcome. This might be time investment, practice, financial capacity, change of lifestyle or more when it involves spending and borrowing less but saving more. The organisers covered all the costs of running the intervention to offer the benefits to target audiences. This is the pure “social” value in this educational intervention.

Place: The online Managing My Money course offered open access to the public with the expectation that easy availability of the product would attract the participants (Strand, Rothschild, & Nevin, 2004, see Edgar, Huhman and Miller, 2015). The intervention also created an online market place where target audiences exchanged their knowledge and experience in making a change to their cognition, behaviours and well-being. They give and take tips from each other on how to save or survive a financial difficulty. The online intervention also can be accessed anytime and anywhere, which is likely to be the most important value of "Place" acquired in marketing.

Promotion Through Internal and External Channels

The intervention was promoted through internal and external channels. The marketing team at Future Learn and The Open University promoted the course to the huge database of their existing learners in the UK and worldwide for months before the course started. Public relations management was outsourced to an external agent who dealt with media relations. For traditional external channels, they used both free and paid options, such as BBC radio, printed magazines and newspapers. The information about the course was shared with their partners such as UK universities, colleges, British Council and other financial advice sites, such as moneysavingexpert.com. While social media channels such as Facebook or recruitment websites were also used. Other referral channels such as search engine optimisation (SEO) techniques were also useful to promote the course on Google, Yahoo etc.

People and Co-creation through Online Social Markets

People are one of the key values of this intervention. The design and process of delivery of the intervention involved the contributions from both the organisers and the target audiences. While the course leader and mentors who are experts in the field offered the knowledge, skills and guidance in managing personal finance effectively, learners contributed their own useful knowledge and experience. By sharing their own case studies, learners gave advice, or encouraged each other to make a change, learners and mentors created the value to the course through communications in the online social market.

Systematic Planning

Financial well-being (FWB) is very much at an early stage. Studies to develop new tools and practices to measure FWB as well as interventions to improve FWB and financial behaviour are needed (Brüggen et al., 2017). Using other disciplines such as psychology, sociology in marketing studies for financial well-being are encouraged (Brüggen et al., 2017). Especially, how social marketing can promote financial well-being at the individual level needs to be further explored. It was found an educational intervention does not always result in behaviour change (SeiLing and Shockey, 2006). More empirical evidence of the internal and external factors that promote or constrain the impact of online financial education towards behaviour change is required. A range of behaviour change theories were considered, including; the theory of planned behaviour (Ajzen, 1985; Fishbein and Ajzen, 1975); stages of behaviour change (Prochaska and Norcoss; 1994); financial attitude (Vlaev and Elliott, 2014, OECD, 2011; Rajna et al. 2011; FSA, 2006; Atkinson et al., 2006); financial needs and satisfaction (Maslow,1954, Tay and Diener, 2011, Mcleod, 2017).

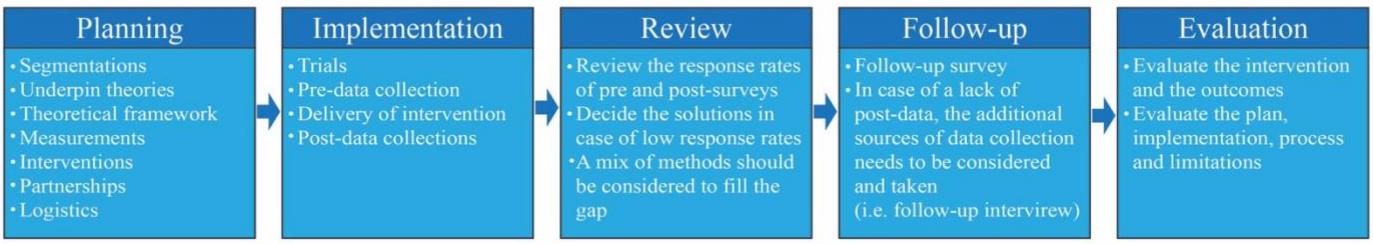

Figure 1: The systematic planning process

Results and Learning

In this study, there was a low response rate to the post and follow-up surveys. To overcome this a range of different datasets have been used to determine whether a change in behaviour occurred. These include literacy quizzes, tests, surveys, interviews and data from the online platform. These datasets provide an in-depth understanding of our target audiences and fill the gap of missing data from one data collection method. There were 396 responses in the pre-data survey. In addition, there were four sources of data that showed the small-scale impacts of the intervention including (1) fourteen responses in the post-survey, (2) twenty-six responses in the follow-up survey, (3) six interviews and (4) online discussions, where learners shared how the course had changed them in different ways. This paper uses some data from these sources to explore the impact of the intervention.

Results

1.Financial Education Intervention Needs In Progression Towards Making A Financial Behaviour Change

160 out of 398 learners stated their motivation for taking part in the intervention was "to change the way I manage my money". This was followed by those who need financial education to "understand, fix or manage an event or situation in my personal life and finances (i.e. debt, a lack of saving)" and "to change my financial circumstances". It is argued that the value of education is purely to improve knowledge and skills rather than to promote behaviour change. However, this finding suggests that segmenting those who seek online financial education when they intend to make a financial behaviour change or improve their financial capability could be useful for targeting marketing strategies.

2.Stages Of Behaviour Change

Based on previous studies, the survey used 14 items to measure participants' financial management behaviours in the past six months in four domains: consumption; cash management; savings and investment; and credit management (Dew and Xiao, 2011). The response set for these questions ranged from 1 (Never) to 5 (Always) and Not applicable. This study translated the five scales to five stages of behaviour change as Pre-contemplation = Never (1), Contemplation=Seldom (2), Preparation= Sometimes (3), Action=Often (4), Maintenance=Always (5). Statistical analysis found 17 learners moved to a new and positive stage of behaviour change with the higher scores in their financial behaviour reported following the intervention. Furthermore, learners were in different stages of behaviour change for individual financial behaviours. They had both desirable and undesirable behaviours. For instance, some learners often "saved money from every pay-check" while also regularly "made only minimum payments on a loan" and vice versa. The data from the online discussion revealed that some learners also recalled their decision to pay off debt before saving was based on clearing their debts before starting to save. It means they could not have simultaneously the desirable behaviours of saving and paying off due to limitations in financial resources. The five stages of behaviour change do not cover the relapse stage of learners before the intervention. The transtheoretical stages of behaviour change model suggests that as people make progress towards changing their behaviour, they move in a set order through the various stages of change from pre-contemplation to maintenance, although during relapse, it is possible for individuals to revert to a previous stage (Prochaska et al., 2002). Through online discussion, some learners shared that they relapsed and then went back on track again after years of dealing with challenges. For instance, a learner (age range 56-65, British, single, no children, house owner) disclosed that she had relapsed in saving behaviour due to unexpected changes in circumstances "*I had a different, well-paid job and had saved quite a bit. Then my mother got cancer and I became her carer. Then I lost my job. I was unable to work for over three years after mum died, and my savings dwindled".* After that relapse period she*"now I have a fulfilling part-time job, but earn much less and as fast as I save a little, it is swallowed by the next emergency. I budget carefully and am thankful that I have so far avoided the debt-ridden situation*". This study supports the work of (Xiao et. al, 2002), by showing that the relapse period is sometimes triggered by an unexpected individual financial situation, rather than purely the need to convince themselves about the desirability of changing behaviour and maintaining saving practices. Another learner had to live on their savings after losing their job. Those who are in this situation need more than a behavioural intervention. They will also need support in finding a way to deal with financial difficulties and a shortage of financial resources.

3. The Associations Between Financial Well-Being and Influential Factors

The results from various regressions revealed the relationships between perceived financial well-being and influential factors such as financial behaviours, attitudes and capacity. Perceived financial well-being defined as the feelings of learners when they think about their overall financial circumstances. For instance, the more often learners “put money in emergency savings fund” or “saved money from every pay-check” the happier they felt about their finance or the more often they stayed within budget the less nervous they felt about their finance and vice versa. Those who less often “use credit for non-essential items” tend to feel less nervous, tense or worried. In contrast, learners who felt more “comfortable with borrowing for something that I consider to be essential” also felt more anxious and depressed. Moreover, the longer they could make ends meet if faced an unexpected drop in income without borrowing, the more satisfied they felt about their finances and less anxious, worried, nervous and vice versa. The findings repeated in two or three surveys from small to large sample scale before and after the intervention.

<u>Evaluation Outcomes</u>

The changes of some key variables are reviewed to assess the outcomes of the intervention including financial behaviour/attitudes, attitudes towards making a change, knowledge, capacity and well-being.

1.Changes in Financial Behaviours

A pair sample t-test was carried out to explore the changes in financial behaviours of learners before the intervention and followed-up six months after the intervention. The value of t was negative in the test which suggests that the follow-up scores were higher than before the intervention. Some changes in financial behaviours before and after the intervention were found significant among learners. As a result, learners more often shopped around for financial products and services after the intervention ($t=-3.040$, $p<0.05$, $df=19$). Learners were putting money in emergency savings fund ($t=-2.268$, $p<0.05$, $df=19$) and saving for a long-term goal ($t=-2.300$, $p<0.05$, $df=15$) more regularly after the intervention. However, a significant change in borrowing behaviour or paying off debt was not found.

2. Changes in Financial Capacity

A change in the financial capacity of learners was also found in a t-test. Learners revealed that length of time they could make ends meet if faced by an unexpected drop in income without borrowing was longer than before the intervention ($t=-2.111$, $p<0.05$, $df=18$). This might be a result of better ability to manage finances thanks to an improvement in financial knowledge, behaviours and attitudes.

3. Changes in Financial Well-Being

There was not any significant change in perceived financial well-being before and after the intervention. This may be caused by an insufficient change in the influential factors. Furthermore, it requires more financial behaviours to be changed simultaneously to perceive a significant positive change in perceived financial well-being such as “happy”. For instance, the regressions found that after the intervention, a positive improvement in learners’ behaviour of “paid all your bills on time” and “paid off credit card balance in full each month” could predict an improvement in feeling “happy” among learners. However, the changes in these two behaviours after the intervention were not statistically significant, hence, a significant change in feeling “happy” did not also happen. Furthermore, there was not a significant change in satisfaction in the financial needs of learners after the intervention.

Learning Outcomes

Studying behaviour change and financial well-being requires long-term observations to assess rigorously the impact of an intervention such as financial education. The challenge of a longitudinal study is a lack of follow-up responses from participants. Without full participation of audiences in all stages of data collection, it is very difficult to assess the impact of the intervention on an individual and the audiences as a whole. A flexible approach in dealing with data collection is important. Using a mix of research methods to make use of different relevant sources of data is needed to fill the gap in data as much as possible.

Conclusions and Recommendations

Conclusion

This study found learners had a need of an online financial education intervention to help them make a change in behaviour and financial capability. Even though the generalisability of the research findings is limited due to a small scale of post-data. Some of these changes were found after the intervention, However, it is undeniable that online financial education brings benefits to some people through initiating desirable behaviour changes. The idea of using online financial education intervention as a partial element of the social marketing mix should be examined in-depth as it "offered to the target market to satisfy a want or a need" (Kotler & Keller, 2007, p. 178). Understanding financial well-being and its influential factors are challenging due to the complexity of associations between a variety of elements. There is not a straight forward answer as to why there were some changes in behaviour, attitudes, attitudes towards making a change knowledge and capacity, but no significant change in financial well-being. It might be that the level of change in the influential factors was not large enough to trigger a change in financial well-being. It could be that some changes in the influential factors are not enough to transfer to a significant change in financial well-being. It might require a change in all indicators in each influential factor. A lack of post-data makes it difficult to justify the causes of this result.

Recommendations

Educators and social marketers can work together to make use of online financial education as a partial element to support learners during their progress of making a change. There are some ideas for advancing the impact of the intervention applying the disciplines of social marketing. Firstly, designing follow-on online bespoke courses to tackle the specific needs of different segments. By segmenting learners' stages of behaviour change to promote other interventions to target individual behaviours. People need financial education at all stages of behaviour change. However, it is, especially important to those are at Pre-contemplation, Contemplation and Preparation stages. Offering a free tool to build budgets or manage money that has app and web access could be one way to support this. This tool would be a useful channel to maintain a relationship with their target audiences. It also helps measure the impact of an educational intervention, as well as designing new courses based on reports from data collected through the tool. Educational interventions should add in steps to support behaviour change. More tools and information showing real examples of people from different backgrounds, such as those on low-income and the youth, who have made positive steps forward should be included. Encouraging more learners to be involved and engaged with the course to make it useful and applicable to them is crucial. Interventional product development which offers flexible choices of learning, allowing learners to pick and choose partial or full courses, that are applicable to their individual circumstances or levels of knowledge and different stages of behaviour change, would be beneficial to all the segments. Additionally, specific courses or different ways of attracting people from different segments, such as for low-income individuals, pensioners or the youth, may be appropriate. The behavioural change sessions also should be designed for different behaviours. The behaviour sessions cover the knowledge and tools to support an individual during the stages and processes to make a behaviour change. The challenge and how to overcome it to achieve the rewards of having an improvement in personal finances and financial well-being. Promotion campaigns should expand to use different tools to attract younger audiences such as direct marketing at schools and universities, shopping centres, community centres. Lastly, when the constraints that are preventing people from making a behaviour change engage other influential factors such as financial resources. It is useful to get financial institutions involved in offering financial support to the audiences during their progress of making a behaviour change. This support can be a saving or loan or overdraft package that gives the audiences certain benefits in the form of the features of the financial products that help to adopt or maintain desirable financial behaviour.

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